

PLEASE POST - NOTICE OF PUBLIC MEETING

Essex North Shore Agricultural and Technical School District Finance Subcommittee

562 Maple Street
Hathorne, Massachusetts 01937
Smith Hall Conference Room

Wednesday, April 5, 2017
6:30 p.m.

AGENDA

1. *Call to Order*
2. *Approval of Meeting Minutes*
The Subcommittee will consider approval of meeting minutes for the Finance Subcommittee meeting of Tuesday, February 28, 2017.
3. *Proposed Essex North Shore Agricultural and Technical School District Facilities Usage Fee Schedule*
Administrative Recommendation: Mr. Joseph St. Pierre, Facilities Manager, will present a Facilities Usage Fee Schedule for approval.
4. *Basic Training Academy Proposal*
Administrative Recommendation: Mr. Joseph St. Pierre, Facilities Manager, will present a Basic Training Academy Proposal with the Essex County Sheriff's Department for approval.
5. *FY2016 End of the Year Audit Report – Giusti, Hingston & Company*
Administrative Recommendation: End of the Year Audit Report received from Giusti, Hingston & Company. The administration recommends accepting the report as submitted.
6. *Financial Statements*
Administrative Recommendation: To approve financial statements for January 31, 2017. If approved, the statements will be placed on file for audit.
7. *General Obligation Bond Anticipation Notes and Signing of Associated Documents*
Administrative Recommendation: To recommend to the full committee renewal of the Essex North Shore Agricultural and Technical School District's \$3,648,307 Bond Anticipate Note maturing on April 21, 2017 to pay on August 1, 2017 in anticipation of the Massachusetts School Building Authority's final payment in July 2017.
8. *Fiscal Year 2018 Massachusetts Skills Capital Grant Program*
Administrative Recommendation: To accept the Massachusetts Skills Capital Grant in the amount of \$244,292.
9. *FY2018 School Choice*
Administrative Recommendation: To approve the recommendation that the District not participate in School Choice for the 2017 - 2018 school year.

10. *Acceptance of Donation*

Administrative Recommendation: To accept the donation of equipment valued at \$3,753.40 from Atlantic Lab Equipment, Inc. of Salem, Massachusetts to the Biotechnology Program.

11. *Outside Projects*

Administrative Recommendation: The administration recommends approval for an Application for a Building Project at Danvers High School's Athletic Complex, 60 Cabot Road, Danvers, Massachusetts.

12. *FY18 & FY19 Audits*

The District last solicited bids for End of Year Audit in the summer of 2015 for FY15, FY16 and FY17. The administration is requesting a determination from the Committee regarding seeking quotes or signing an engagement letter with our current provider for FY2018 and FY2019.

13. Discussion items that were not reasonably anticipated by the Chairperson (M.G.L., Chapter 30 – Sections 18-25)

14. Adjourn

The listing of matters are those reasonably anticipated by the Chair in accordance with M.G.L., Chapter 30A, Section 18-25, which may be discussed at the meeting. Not all items listed may in fact be discussed and other items not listed may also be brought up for discussion to the extent permitted by law.

Approved:

ESSEX NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL DISTRICT

**Finance Subcommittee
Tentative Minutes – February 28, 2017**

Members Present: B. Perkins, Chair, T. St. Pierre, G. Hathaway, W. Marquis, J. O'Brien,
B. Jones

Others Present: W. Lupini, M. Znamierowski, B. Morgan, M. Kroesser, K. McMahon

The Chair called the meeting to order at 5:30 p.m.

Approval of Minutes

Motion made by Mr. Marquis, seconded by Mr. O'Brien to approve the Tentative Minutes of February 1, 2017 as presented. Motion carried unanimously.

Financial Statements

The District's financial statements as of December 31, 2016 were presented by Mrs. Znamierowski. She noted that the District was doing well regarding revenues; the revolving accounts reflect a positive cash flow and communities are paying their assessments on time.

Mr. Marquis moved to approve the December 31, 2016 Financial Statements as presented and to place them on file for audit, seconded by Mr. O'Brien. Motion carried unanimously.

FY2018 Budget

Dr. Lupini reported that the first member community meeting with municipal officials was held earlier today. Finance Directors from Beverly and Danvers attended the meeting and expressed their support for the proposed FY2018 Budget.

Dr. Lupini stated that based on Governor Baker's FY2018 budget proposal, the District has estimated the net Chapter 70 revenues at \$3,775,169.

Dr. Lupini recently met with Mary Sarris, Executive Director, Workforce Investment Board. The purpose of this meeting was to discuss the Career and Technical Education program areas that the district should be concentrating on for the 2018-2019 school year.

Dr. Lupini reviewed the Administrative Costs summary that was included in the packet.

Dr. Lupini discussed district and school administrative charts – those of October 2015 (administrative flowchart), October 2016 (district and high school charts) and February 2017 (district and high school charts) drafts.

Mr. O'Brien asked if administrators were upset with changes within the drafts of the February 2017 Administration Organization Charts.

Mrs. Kroesser, Human Resource Director, answered that she feels the changes are sensible.

Mr. O'Brien stated that on the February 2017 chart it appears that Mr. Morgan, Principal, has additional supervisory responsibilities. Mr. Morgan replied that he feels that this chart is cleaner.

Discussion items that were not reasonably anticipated by the Chairperson (M.G.L., Chapter 30A – Sections 18-25)

Members asked if the Child Care Center is current with their rental payments. They were told that the center is current with payments.

Dr. Lupini said that he recently met with Mr. Brian DeVellis, Essex Sports Center, to address Mr. DeVellis's concerns about the district's use of forty (40) hours of free ice time for the hockey team.

Dr. Lupini reported that Ms. Lalli, Athletic Director, is looking into utilizing the Sports Center's indoor field for a few of the spring athletic teams. Also, some of the Sports Center clients have expressed an interest in renting the school's outdoor turf field.

Mr. Marquis asked when the rates for facility use would be available for Subcommittee review. Dr. Lupini responded that the rates would be available very soon. Mr. St. Pierre, Facilities Manager, is working to update the District's present fee schedule.

Motion made to adjourn by Mr. Marquis, seconded by Mr. Hathaway. Motion carried unanimously.

The Chairman declared the meeting adjourned at 6:02 p.m.

Table (1) Essex North Shore Agricultural and Technical School District Facilities Usage Fee Schedule

Area Rented	Member Community Schools or Municipalities		Member Community Non Profit Group - 501(c)(3) Form Required		Member Community for Profit Group		Non Member Community for Non Profit Group - 501(c)(3) Form Required		Non Member Community for Profit Group	
	Class A		Class B		Class C		Class D		Class E	
Rate/Minimum Charge	Hourly Rate	Minimum Charge	Hourly Rate	Minimum Charge	Hourly Rate	Minimum Charge	Hourly Rate	Minimum Charge	Hourly Rate	Minimum Charge
Event Manager (In addition to rental fee if required) (2)	\$50.00	\$100.00	\$ 50.00	\$ 100.00	\$ 50.00	\$ 100.00	\$ 50.00	\$ 100.00	\$ 50.00	\$ 100.00
Event Supervisor (in addition to rental fee)	\$35.00	\$140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00
Technology Operator (When required)(in addition to rental fee) ^^	\$35.00	\$140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00	\$ 35.00	\$ 140.00
Cafeteria Fee (in addition to rental fee)	No Charge	N/A	\$ 25.00	\$ 50.00	\$ 25.00	\$ 50.00	\$ 25.00	\$ 50.00	\$ 25.00	\$ 50.00
Administrative Fee (Non-Refundable flat fee)	No Charge	N/A	No Charge	N/A	\$ 15.00	N/A	\$ 15.00	N/A	\$ 15.00	N/A
Classrooms	No Charge	N/A	No Charge	N/A	\$ 35.00	\$ 70.00	\$ 65.00	\$ 130.00	\$ 75.00	\$ 150.00
Maple St. Bistro without	No Charge	N/A	No Charge	N/A	\$ 50.00	\$ 100.00	\$ 80.00	\$ 160.00	\$ 100.00	\$ 200.00
Maple St. Bistro with	No Charge	N/A	No Charge	N/A	\$ 70.00	\$ 140.00	\$ 120.00	\$ 240.00	\$ 140.00	\$ 300.00
Main Field House	No Charge	N/A	No Charge	N/A	\$ 100.00	\$ 200.00	\$ 150.00	\$ 300.00	\$ 200.00	\$ 400.00
Alumni Gym	No Charge	N/A	\$ 50.00	\$ 100.00	\$ 50.00	\$ 100.00	\$ 100.00	\$ 200.00	\$ 150.00	\$ 300.00
Smith Hall Auditorium	No Charge	N/A	\$ 50.00	\$ 100.00	\$ 125.00	\$ 250.00	\$ 200.00	\$ 400.00	\$ 250.00	\$ 500.00
Library Media Center	No Charge	N/A	No Charge	N/A	\$ 50.00	\$ 100.00	\$ 75.00	\$ 150.00	\$ 100.00	\$ 200.00
Turf Stadium without Lights	No Charge	N/A	No Charge	N/A	\$ 75.00	\$ 150.00	\$ 125.00	\$ 250.00	\$ 150.00	\$ 300.00
Turf Stadium with Lights	\$100.00	\$200.00	\$100.00	\$200.00	\$ 100.00	\$ 200.00	\$ 150.00	\$ 300.00	\$ 200.00	\$ 400.00
Concession Stand	No Charge	N/A	No Charge	N/A	\$ 20.00	\$ 40.00	\$ 25.00	\$ 50.00	\$ 40.00	\$ 80.00
Soccer Fields	No Charge	N/A	No Charge	N/A	\$ 75.00	\$ 150.00	\$ 100.00	\$ 200.00	\$ 125.00	\$ 250.00
Baseball Fields	No Charge	N/A	No Charge	N/A	\$ 75.00	\$ 150.00	\$ 100.00	\$ 200.00	\$ 125.00	\$ 250.00
Softball Fields	No Charge	N/A	No Charge	N/A	\$ 75.00	\$ 150.00	\$ 100.00	\$ 200.00	\$ 125.00	\$ 250.00
Outdoor Track	No Charge	N/A	No Charge	N/A	\$ 75.00	\$ 150.00	\$ 100.00	\$ 200.00	\$ 125.00	\$ 250.00

Member Communities: Beverly, Boxford, Danvers, Essex, Gloucester, Hamilton, Lynnfield, Manchester, Marblehead, Middleton, Nahant, Peabody, Rockport, Salem, Swampscott, Topsfield, Wenham, Massachusetts Department of Agriculture
Fee's may be waived based on fundraising for a particular student activity account (clubs or teams), subject to Superintendent-Director.

1. District will supply a Site Supervisor for all events. Renter will be required to pay hourly rate as noted above. Technology Operator will be provided as needed. Renter will be required to pay hourly rates. Site Supervisor will report 1/2 hour before and after the event at the renters cost.
2. If 300+ will be in attendance, or as required by Superintendent-Director, renter must order a Police Detail for safety reasons and is responsible to pay detail invoice directly when due. An Event Manager and Event Supervisor will be required. Event Manager will be of the "Director" or "Manager" position. Event Supervisor will be a Custodian, Maintenance or Grounds employee. Excess of 300 people will require additional Event Supervisors. That number will at the discretion of the District Managers.
3. All rentals require a \$250 refundable cleaning fee. This fee will be returned or deducted from the final invoice, upon review of facilities after rental.
4. Renter will receive initial deposit invoice of \$100 to secure rental. This invoice must be paid prior to rental date and will be applied to final invoice. Non-payment may result in rental being forfeited.
5. Any organization needing to cancel is required to do so 48 hours in advance. Please notify MaryAnne Sliva at 978-304-4700 ext 7103
6. Liability is the responsibility of the renting party and insurance coverage is required. A certification of General Liability with a minimum limit of \$1,000,000 naming "Essex North Shore Agricultural and Technical School District" as an "Additional Named Insured."

Essex North Shore Agricultural and Technical School District

**Essex County Sheriff's Department
Basic Training Academy Proposal**

This program is designed to prepare future Correction Officers for the Department. Christine Arsenault (Assistant Superintendent III and Director of Training) and Michael McAuliffe (Commandant and Assistant Director of Training) are the contacts for this Program.

- The Department runs 1-2 Academy Programs per year.
- The first program would start (approximately) on September 11, 2017 and end on December 8, 2017. The Program will run from approximately 6:00 a.m. to 2:30 p.m. daily. The second program (if offered) would run from April to June.
- The Program would include approximately 30 recruits and 4 staff members.
- The Department is requesting the use of two (2) lower classrooms in Gallant Hall and the Alumni gym. In addition, the Department would be looking to use the track (very early in the morning prior to the school day) and ropes course (approximately 1 day per week).
- The Program would need approximately 19 parking spaces after the first week (more during that first week) for recruit and staff parking. The lower bus lot will be available for recruit parking. The Alumni gym parking lot would be used to accommodate the four (4) instructors.
- Recruits will clean and remove trash from classrooms and other spaces used by the Program.
- Some instructors will carry firearms, which will be locked in a gun safe during class time. At times the recruits will utilize a training gun ("red man gun") in the gym. There will never be live firearm training being conducted on campus.
- The Department will pay Essex North Shore Agricultural and Technical School District \$1,750 per recruit. In addition, the Department will make the locker room usable (clean, paint, pay for an install hot water heaters, install drop ceilings in both locker rooms, etc.). The District will purchase items needed for this project and be reimbursed by the Sheriff's Department. Certain CTE programs will take part in the installation of equipment, where educationally appropriate.

Giusti, Hingston and Company
Certified Public Accountants
36 Jackman Street, Unit 1
Georgetown, MA 01833
Tel: 978-352-7470 Fax: 978-352-8812
Email: GiustiHingstonCo@aol.com

March 17, 2017

School Committee
Essex North Shore Agricultural
and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Dear Members of the Committee:

In planning and performing our audit of the financial statements of the Essex North Shore Agricultural and Technical School District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Essex North Shore Agricultural and Technical School Districts' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School Districts' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We do not consider the following matters to be significant deficiencies or material weaknesses. However, they are matters we want to communicate to you.

New Form I-9

On November 14, 2016 the United States Citizenship and Immigration Services (USCIS) released a revised version of the I-9 Form, Employment Eligibility Verification. Employers may continue using the current I-9 Form (with a revision date of 03/08/2013) through January 21, 2017. By January 22, 2017, employers must use the revised form (revision date 11/14/2016). Employers **are not** required to utilize the new I-9 Form for employees who have previously submitted an I-9 Form.

The revised I-9 Form modified certain questions and is easier to complete on a computer. Enhancements include drop-down lists and calendars for filling in dates, on-screen instructions for each field, easy access to the full instructions and an option to clear the form and start over.

Employers should continue to follow existing storage and retention rules for all of their previously completed I-9 Forms.

Uniform Guidance

We wrote a comment about the Uniform Guidance in last year's management letter. This year we have added additional information relating to the Uniform Guidance that will help the District properly implement the required internal control components.

On December 26, 2013, OMB published its comprehensive overhaul of federal grant administrative, cost accounting, and audit policies in the Federal Register. This final guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), supersedes and combines the requirements of eight existing OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133). The Uniform Guidance significantly reformed federal grant making to focus resources on improving performance and outcomes with the intent to reduce administrative burdens for grant applicants and recipients and reduce the risk of waste, fraud, and abuse.

The Uniform Guidance is a substantial document that addresses (among many other topics) cost principles, internal controls, procurement requirements and audit requirements. The Uniform Guidance is effective December 26, 2014. New and incrementally-funded awards issued on or after December 26, 2014 are subject to the Uniform Guidance. Audit Requirements apply to audits of fiscal years beginning on or after December 26, 2014 (i.e. fiscal year 2016).

The procurement rules mandated by the Uniform Guidance are different than the State's requirements under MGL Chapter 30B. For example, Chapter 30B does not require quotes until the \$10,000 threshold is met and Bids/Request for Proposal must be obtained for purchases of \$50,000 or more. There are certain exemptions to the procurement requirements that are detailed in Chapter 30B.

The Uniform Guidance requirements pertain only to purchases made with federal funds. It identifies *Micro Purchases* as purchases of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold (currently \$3,500 and periodically adjusted for inflation). Micro purchases may be made by using sound business practices. The next threshold is the *Simplified Acquisition Threshold*, which means the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. When the small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. Currently, the simplified acquisition threshold is \$150,000, but this threshold is periodically adjusted for inflation. Purchases in excess of the Simplified Acquisition Threshold must be by sealed bids with formal advertising. The Uniform Guidance has specific language regarding what must be considered in the sealed bid process.

When the State and Federal requirements differ, the more stringent requirement must be followed for purchases made with federal funds.

The Uniform Guidance requires that the internal control policies and procedures must be in writing. Topics that must be addressed in the internal control procedures document relating to procurement include the following:

- Must maintain oversight to ensure contractors perform within the terms, conditions and specifications of the contracts or purchase orders.
- Must maintain written standards of conduct covering conflict of interest with respect to employees engaged in the selection, award and administration of contracts.
- Must maintain written standards of conduct covering organizational conflict of interest.
- Must avoid acquisition of unnecessary or duplicative items.

We have provided the District with a sixty page document that includes specific recommendations relating to implementing the requirements of the Uniform Guidance. This document was given out at a MASBO (Massachusetts Association of School Business Officials) seminar and includes information relating to policies and procedures that should be in place for the Uniform Guidance. It includes matters relating to internal accounting controls, financial management policies, accounting records and other related matters. The District Business Manager has read through this Uniform Guidance Document and has become aware of the requirements contained therein. We recommend that the Business Manager continue to become familiar with all of the requirements of the Uniform Guidance and that any person who works on or is responsible for Federal grants, also be familiar with the new requirements.

The Federal government did provide a grace period of two fiscal years after the effective date for non-Federal entities to comply with the procurement standards in the Uniform Guidance provided that the entity documents its intent to utilize the grace period. As a result, the Uniform Guidance procurement rules will be in effect for the District in fiscal year 2018.

In addition, to other provisions required by the federal grantor, all contracts made by the District under federal awards must have specific language as addressed in the Uniform Guidance in Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

We recommend that the District review the procurement rules in the Uniform Guidance. Since the Uniform Guidance is constantly updated as federal requirements change, the following link should be utilized to ensure the District has the most current version: http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.

Since the Uniform Guidance is an extremely long document, the U. S. Department of Education has made available a document entitled: *Key Sections of Uniform Guidance Related to Procurement*. It can be obtained at the following link: <https://www2.ed.gov/policy/fund/guid/uniform-guidance/procurement.html>.

Implementation of New GASB Pronouncements

During fiscal year 2016, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 72 *Fair Value Measurement and Application*. The standard created a hierarchy of the valuation methods used in determining the fair value of investments. The implementation of this pronouncement required new disclosures related to the District's investments.
- The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017.

- The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 77, Tax Abatement Disclosures, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 81, Irrevocable Split-Interest Agreements, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 which is required to be implemented in fiscal year 2018.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statements #74 & 75 will have a significant impact on the District's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the District's Other Post-Employment Benefits.

* * * * *

This communication is intended solely for the information and use of management, and those charged with governance and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you. We would like to thank you for the cooperation and courtesy extended to us during the course of the engagement.

Sincerely,

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants

**ESSEX NORTH SHORE AGRICULTURAL AND
TECHNICAL SCHOOL DISTRICT**

Financial Statements

For the Year Ended June 30, 2016

(With Accountants' Report Thereon)

36 Jackman St., Unit 1 * *Giusti, Hingston and Company*
Certified Public Accountant
* *Georgetown, MA 01833* * *(Tel)978-352-7470*

Essex North Shore Agricultural and Technical School District
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INDEPENDENT AUDITORS REPORT

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Essex North Shore Agricultural and Technical School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Essex North Shore Agricultural and Technical School District, as of June 30, 2016 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements Cost Principles and Audit Requirements of Federal Awards*.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 17, 2017, on our consideration of the Essex North Shore Agricultural and Technical School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Essex North Shore Agricultural and Technical School District's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 17, 2017

**Essex North Shore Agricultural and Technical School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2016**

As management of the Essex North Shore Agricultural and Technical School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Essex North Shore Agricultural and Technical School District for the fiscal year ended June 30, 2016.

Financial Highlights

- As of June 30, 2016, the Essex North Shore Agricultural and Technical School District has a net position of \$81,236,251. This amount represents the excess of the assets and deferred outflows over the liabilities and deferred inflows, which is presented in the Statement of Net Position. This Statement is one of the two required Government-wide financial statements which are listed on the table of contents at the beginning of the audited financial statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,634,613. Of this amount, \$196,154 relates to the Stabilization Fund, which is now required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements.
- The Essex North Shore Agricultural and Technical School District has total long term debt of \$30,395,000 as of June 30, 2016, which is shown on the Statement of Net Position and is also shown in the Required Notes to the Financial Statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Essex North Shore Agricultural and Technical School District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Essex North Shore Agricultural and Technical School District's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Essex North Shore Agricultural and Technical School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report the District's governmental activities (there are no business-type activities). The District's activities are classified as follows:

- **Governmental Activities** – Activities reported here are for educational purposes. Member assessment, charges for services, federal, state and other miscellaneous revenues finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Essex North Shore Agricultural and Technical School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Essex North Shore Agricultural and Technical School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains fiduciary funds to account for activities related to its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Essex North Shore Agricultural and Technical School Districts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. In accordance with the GASB 34 requirements, capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net position.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current Assets	\$ 8,713,362	\$ 12,850,729
Capital Assets	127,806,205	128,258,399
Total Assets	<u>136,519,567</u>	<u>141,109,128</u>
Deferred Outflows of Resources	<u>374,465</u>	<u>26,885</u>
Current Liabilities	7,561,233	8,327,322
Long Term Liabilities	47,990,872	42,810,303
Total Liabilities	<u>55,552,105</u>	<u>51,137,625</u>
Deferred Inflows of Resources	<u>105,676</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	93,400,216	96,948,035
Restricted	137,566	239,446
Unrestricted (Deficit) (See Note Below)	(12,301,531)	(7,189,093)
Total Net Position	<u>\$ 81,236,251</u>	<u>\$ 89,998,388</u>

The reason the unrestricted Net Position reflects a deficit is that the GASB 45 OPEB (Other Post Employment Benefits) liability of \$8,561,118 and the Net Pension Liability of \$5,534,538 (GASB 68) are required to be recorded in the Statement of Net Position.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the District's net position has changed during the fiscal year.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 6,669,382	\$ 8,297,872
Operating Grants and MTRB Contributions	8,155,194	7,502,123
Capital Grants and Contributions	754,508	18,505,041

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
General Revenues:		
Assessments to Members	13,930,011	13,226,513
Unrestricted Investment Earnings	78,820	113,428
Other Revenue	16,464	3,099
Total Revenues	<u>29,604,379</u>	<u>47,648,076</u>
Expenses		
Administration	1,742,622	1,591,237
Instruction	16,540,005	14,514,160
Other School Services	1,438,483	1,239,661
Operation and Maintenance	2,381,243	2,522,346
Employee Benefits and Fixed Charges	7,565,001	6,813,506
Transportation	1,571,997	1,839,807
Debt Service	1,266,221	853,529
Capital Outlay	436,240	319,994
Adult Education	127,364	94,364
Food Services	454,552	442,838
Total Expenses	<u>33,523,728</u>	<u>30,231,442</u>
Increase (Decrease) in Net Position	<u>\$ (3,919,349)</u>	<u>\$ 17,416,634</u>

Governmental Activities

In fiscal year 2016 member assessments accounted for approximately 47% of the total revenues.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the Essex North Shore Agricultural and Technical School Districts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Essex North Shore Agricultural and Technical School Districts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Essex North Shore Agricultural and Technical School District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Essex North Shore Agricultural and Technical School Districts' School Committee.

General Fund

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of fund balance (general fund) available for appropriation. In general, this amount (commonly known as "Excess and Deficiency" or "E&D") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the components of fund balance and the Excess and Deficiency balance as of June 30, 2015 and 2016:

Fund Balance General Fund					
<u>Fiscal Year</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2015	\$1,167,783	\$824,142	\$2,440,196	\$4,432,121	\$1,162,304
2016	367,783	1,164,636	2,634,613	\$4,167,032	\$1,456,404

Capital Asset and Debt Administration

Capital assets. The Essex North Shore Agricultural and Technical School District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$127,806,205 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and furniture, fixtures and equipment. The capital assets as of June 30, 2015 and 2016 are as follows:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Construction Work in Process	\$ 3,041,096	-
Total Capital Assets Not Being Depreciated	<u>3,041,096</u>	<u>-</u>
Buildings and Improvements	\$ 122,555,475	125,753,332
Furniture, Fixtures and Equipment	1,304,053	1,467,602
Other	89,616	85,000
Vehicles	815,965	952,465
Total Capital Assets Being Depreciated	<u>124,765,109</u>	<u>128,258,399</u>
Total Capital Assets, Net	<u>\$ 127,806,205</u>	<u>\$ 128,258,399</u>

Debt

The District had \$30,395,000 in long term bonds outstanding on June 30, 2016. This represents a \$695,000 decrease or 2.2% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2016</u>	<u>2015</u>
General Obligation Bonds Payable	<u>\$ 30,395,000</u>	<u>\$ 31,090,000</u>

Request for Information

This financial report is designed to provide a general overview of the Essex North Shore Agricultural and Technical School Districts' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Superintendent
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Essex North Shore Agricultural and Technical School District
Statement of Net Position
June 30, 2016

	<u>Government - Wide Activities</u>
Assets	
Current:	
Cash/Investments	\$ 6,619,433
Petty Cash	528
Accounts Receivable:	
Intergovernmental	1,043,818
Prepaid Expenses	975,980
Inventory	73,603
Noncurrent:	
Capital Assets:	
Assets Not Being Depreciated	3,041,096
Assets Being Depreciated, Net	<u>124,765,109</u>
Total Assets	<u>136,519,567</u>
 Deferred Outflows of Resources	
Pension	<u>374,465</u>
 Liabilities	
Current:	
Warrants Payable	1,307,951
Accrued Wages Payable	681,039
Withholdings Payable	482,563
Accrued Interest Payable	99,164
Due to Other Government - Pension	244,515
Bond Anticipation Notes Payable	3,648,307
Bonds Payable	685,000
Leasing Payable	362,682
Other	14,450
Unclaimed Items	35,562
Noncurrent:	
Compensated Absences Payable	272,975
Due to Other Government - Pension	3,912,241
Bonds Payable	29,710,000
Net Pension Liability	5,534,538
Other Post Employment Benefits Payable	<u>8,561,118</u>
Total Liabilities	<u>55,552,105</u>
 Deferred Inflows of Resources	
Pension	<u>105,676</u>
 Net Position	
Net Investment in Capital Assets	93,400,216
Restricted for:	
Capital Projects	88,762
Other Purposes	48,804
Unrestricted (Deficit)	<u>(12,301,531)</u>
Total Net Position	<u>\$ 81,236,251</u>

Essex North Shore Agricultural and Technical School District
Statement of Activities
Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<i>Governmental Activities:</i>					
Administration	\$ 1,742,622	\$ -	\$ -	\$ -	\$ (1,742,622)
Instruction	16,540,005	6,161,683	3,711,889	-	(6,666,433)
Other School Services	1,438,483	71,557	235,458	-	(1,131,468)
Operation and Maintenance	2,381,243	-	-	-	(2,381,243)
Employee Benefits and Fixed Charges	7,565,001	-	2,604,633	-	(4,960,368)
Transportation	1,571,997	-	1,454,039	-	(117,958)
Debt Service	1,266,221	-	-	-	(1,266,221)
Capital Outlay	436,240	-	-	754,508	318,268
Adult Education	127,364	95,600	-	-	(31,764)
Food Services	454,552	340,542	149,175	-	35,165
Total Governmental Activities	<u>\$33,523,728</u>	<u>\$ 6,669,382</u>	<u>\$ 8,155,194</u>	<u>\$ 754,508</u>	<u>(17,944,644)</u>
<i>General Revenues:</i>					
					13,930,011
					78,820
					16,464
					<u>14,025,295</u>
					<u>(3,919,349)</u>
<i>Net Position:</i>					
					<u>89,998,388</u>
					<u>(4,842,788)</u>
					<u>85,155,600</u>
					<u>\$ 81,236,251</u>

Essex North Shore Agricultural and Technical School District
Governmental Funds
Balance Sheet
June 30, 2016

	<u>General Fund</u>	<u>School Building Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash/Investments	\$ 4,668,271	\$ 1,113,148	\$ 838,014	\$ 6,619,433
Petty Cash	528	-	-	528
Inventory	-	-	73,603	73,603
Prepaid Expenses	975,980	-	-	975,980
Due from Other Government	1,043,818	-	-	1,043,818
Total Assets	\$ 6,688,597	\$ 1,113,148	\$ 911,617	\$ 8,713,362
Liabilities:				
Warrants Payable	\$ 1,307,951	\$ -	\$ -	\$ 1,307,951
Accrued Wages Payable	681,039	-	-	681,039
Withholdings Payable	482,563	-	-	482,563
Bond Anticipation Notes Payable	-	3,648,307	-	3,648,307
Unclaimed Items	35,562	-	-	35,562
Other Liabilities	14,450	-	-	14,450
Total Liabilities	2,521,565	3,648,307	-	6,169,872
Fund Equity:				
Fund Balances:				
Restricted	-	-	137,566	137,566
Committed	367,783	-	774,051	1,141,834
Assigned	1,164,636	-	-	1,164,636
Unassigned	2,634,613	(2,535,159)	-	99,454
Total Fund Balances	4,167,032	(2,535,159)	911,617	2,543,490
Total Liabilities and Fund Balance	\$ 6,688,597	\$ 1,113,148	\$ 911,617	\$ 8,713,362

Essex North Shore Agricultural and Technical School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2016

	General Fund	School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Assessments to Members	\$ 13,930,011	\$ -	\$ -	\$ 13,930,011
Intergovernmental:				
State Aid - Education	3,080,270	-	-	3,080,270
State Aid - Transportation	1,454,039	-	-	1,454,039
Other State and Federal Grants	-	754,508	1,016,253	1,770,761
MTRS Pension Payments	2,604,633	-	-	2,604,633
Charges for Services	5,762,178	-	907,204	6,669,382
Investment Income	78,820	-	-	78,820
Miscellaneous	16,464	-	-	16,464
Total Revenues	<u>26,926,415</u>	<u>754,508</u>	<u>1,923,457</u>	<u>29,604,380</u>
<u>Expenditures:</u>				
Administration	1,608,287	-	-	1,608,287
Instruction	12,357,716	-	1,143,008	13,500,724
Other School Services	1,066,903	-	342,992	1,409,895
Operation and Maintenance	2,375,124	-	-	2,375,124
Employee Benefits and Fixed Charges	5,721,669	-	-	5,721,669
Transportation	1,439,111	-	-	1,439,111
Debt Service	1,933,826	-	-	1,933,826
Capital Outlay	293,922	3,041,096	-	3,335,018
Adult Education	-	-	127,364	127,364
Food Services	-	-	434,380	434,380
Total Expenditures	<u>26,796,558</u>	<u>3,041,096</u>	<u>2,047,744</u>	<u>31,885,398</u>
Excess of Revenues Over (Under) Expenditures	<u>129,857</u>	<u>(2,286,588)</u>	<u>(124,287)</u>	<u>(2,281,018)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	289,112	-	39,588	328,700
Transfers (Out)	(39,588)	-	(289,112)	(328,700)
Total Other Financing Sources (Uses)	<u>249,524</u>	<u>-</u>	<u>(249,524)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>379,381</u>	<u>(2,286,588)</u>	<u>(373,811)</u>	<u>(2,281,018)</u>
Fund Balance, Beginning	<u>4,432,121</u>	<u>(210,125)</u>	<u>1,288,544</u>	<u>5,510,540</u>
Prior Period Adjustment	<u>(644,470)</u>	<u>(38,446)</u>	<u>(3,116)</u>	<u>(686,032)</u>
Fund Balance, Beginning as Restated	<u>3,787,651</u>	<u>(248,571)</u>	<u>1,285,428</u>	<u>4,824,508</u>
Fund Balance, Ending	<u>\$ 4,167,032</u>	<u>\$ (2,535,159)</u>	<u>\$ 911,617</u>	<u>\$ 2,543,490</u>

Essex North Shore Agricultural and Technical School District
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2016

Total Governmental Fund Balances		\$ 2,543,490
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		127,806,205
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.		(99,164)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated Absences Payable		(272,975)
Leasing Payable		(362,682)
Bonds Payable		(30,395,000)
Other Post Employment Benefits Payable		(8,561,118)
Net Pension Liabilities		(5,534,538)
Due to Other Governments - Pension		(4,156,756)
Pension related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:		<u>268,789</u>
Net Position of Governmental Activities		<u><u>\$ 81,236,251</u></u>

Essex North Shore Agricultural and Technical School District
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (2,281,018)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	3,420,322	
Depreciation	<u>(3,872,516)</u>	
Net Effect of Reporting Capital Assets		(452,194)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 695,000

Some expenses reported in the Statement of Activities, such as accrued interest, pension and compensated absences payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these accounts from the prior year.

Accrued Interest Payable	(27,395)	
Net Lease Payable	(142,318)	
Other Post Employment Benefits Payable	(1,835,204)	
Compensated Absences Payable	131,908	
Net Pension Liability	(276,917)	
Deferred Outflow/Inflow pensions	<u>268,789</u>	
Net Effect of Reporting Other Items		<u>(1,881,137)</u>

Change in Net Position of Governmental Activities \$ (3,919,349)

Essex North Shore Agricultural and Technical School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 216,192</u>
Total Assets	<u>216,192</u>
Liabilities	
Current:	
Other Liabilities	<u>216,192</u>
Total Liabilities	<u><u>\$ 216,192</u></u>

Essex North Shore Agricultural and Technical School District
Notes to the Financial Statements
June 30, 2016

I **Summary of Significant Accounting Policies**

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District. This legislation established the School as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Regional Vocational School.

The accounting policies of the Essex North Shore Agricultural and Technical School District, as reflected in the accompanying financial statements for the year ended June 30, 2016, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the District are summarized below.

A. **Reporting Entity**

The financial statements of the Essex North Shore Agricultural and Technical School District include the operations of all organizations for which the School Committee exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Regional School District was the only entity determined necessary for inclusion in the accompanying financial statements.

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member assessments and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of member assessments, amounts due under grants, charges for services and investment income. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

The District reports the following major governmental funds:

General Fund - This is the District's general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

School Building Project Fund – This fund is used to account for the School Building Project.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types of funds are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements (if applicable), are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities (if applicable).

The private-purpose trust funds (if applicable), used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent.

The agency fund is used to account for assets held in a purely custodial capacity, such as for Student Activity Accounts.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Fund Balances

i. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. governments or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Depository Trust (“MMDT”).

ii. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and furniture fixtures and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs (which do not add to the value of the asset or materially extend assets lives) is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, buildings and improvements, vehicles and furniture fixtures and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Furniture, Fixtures and Equipment	5-15
Vehicles	5

iii. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District’s governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered “available”. The government wide financial statements (statement of net position) reflect deferred outflows of resources related to a debt refunding issue and deferred inflows and outflows of resources related to pensions.

iv. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

v. Fund Balances

Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement (effective for fiscal year 2013) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories list below.

1.Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

2.Restricted, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation, (for example, gifts, donations and most revolving funds),

3.Committed, includes amounts that can be used only for the specific purposes determined by a formal action of the School Committee (the district’s highest level of decision-making authority),

4.Assigned, intended (by the School Committee, Superintendent or Chief Financial Officer) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

5.Unassigned, the residual classification for the government’s general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The School Committee is the highest level of decision making authority in the District. Committed fund balance cannot be used for any other purposes without formal action by the School Committee.

The District has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the District's balance sheet.

	<u>General Fund</u>	<u>School Building Project</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
Instruction	\$ -	\$ -	\$ 13,111	\$ 13,111
Other School Services	-	-	17,440	17,440
Capital Outlay	-	-	88,762	88,762
Food Services	-	-	18,253	18,253
Committed to:				
Instruction	-	-	545,505	545,505
Other School Services	-	-	200,716	200,716
Employee Benefits and Fixed Charges	367,783	-	-	367,783
Adult Education	-	-	27,830	27,830
Assigned to:				
Instruction	275,524	-	-	275,524
E & D Appropriation	889,112	-	-	889,112
Unassigned	2,634,613	(2,535,159)	-	99,454
Total Fund Balances	<u>\$ 4,167,032</u>	<u>\$ (2,535,159)</u>	<u>\$ 911,617</u>	<u>\$ 2,543,490</u>

Stabilization Fund

The District has established a stabilization fund in accordance with Massachusetts General Laws Chapter 71 Section 16G½. That section of the law stipulates that "A regional school district may, upon a majority vote of all the members of the regional district school committee and, with the approval of a majority of the local appropriating authorities of the member municipalities, establish a stabilization fund and may, in any year, include in its annual budget for deposit in the stabilization fund an amount not exceeding five per cent of the aggregate amount apportioned to the member municipalities for the preceding fiscal year or such larger amount as may be approved by the director of accounts. The aggregate amount in the fund at any time shall not exceed five per cent of the combined equalized valuations of the member municipalities. Any interest shall be added to and become a part of the fund." The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee for any purpose for which regional school districts may borrow money or for such other district purpose as the director of accounts may approve. The District's stabilization fund has a current balance of \$196,154. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the District's balance sheet in accordance with the GASB 54 requirements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Salem Contributory Retirement System and the Massachusetts Teacher's Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II Stewardship, Compliance and Accountability

A. Net Position – Unrestricted (Deficit)

The reason the unrestricted net position reflects a deficit is that the GASB 45 OPEB (Other Post-Employment Benefits) liability of \$8,561,118, is required to be recorded in the Statement of Net Position. In addition, the GASB 68 Net Pension Liability of \$5,534,538, is recorded in the financial statements as of June 30, 2016.

General Budgetary Information

i. General Budget Policies

The District's original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a "bottom line" budget. The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2016:

	<u>Revenues</u>
As Reported Budget Basis	\$ 24,321,783
Adjustments:	
MTRS - Pension Payments	2,604,633
As Reported GAAP Statement	<u>\$ 26,926,416</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 24,175,747
Adjustments:	
July 1, 2015 Encumbrances	1,150,479
June 30, 2016 Encumbrances	(274,996)
Prepaid Expense Audit Adjustment	(975,980)
Stabilization Fund Expenditures	116,675
MTRS - Pension Payments	2,604,633
As Reported GAAP Statement	<u>\$ 26,796,558</u>

III Detailed Notes on All Funds

A. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2016, \$26,615 of the District's bank balance of \$7,020,656 was exposed to credit risk.

Uninsured and Uncollateralized \$ 26,615

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the District does not currently have any investments that are subject to interest rate risk.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk of investments. As of June 30, 2016, the District was not exposed to custodial credit risk.

Credit Risk-Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy relating to credit risk. However, the District does not currently have investments that are subject to this risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal policy that limits the amount it may invest in a single issuer. However, the District does not currently have investments that are subject to this risk.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Districts' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a tabular format for disclosing the levels within the fair value hierarchy.

The District did not hold any investments that are measured at fair value on a recurring basis as of June 30, 2016.

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets Not Being Depreciated:				
Construction Work in Process	\$ -	\$ 3,041,096	\$ -	\$ 3,041,096
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>3,041,096</u>	<u>-</u>	<u>3,041,096</u>
Assets Being Depreciated:				
Buildings and Improvements	144,324,405	106,875	-	144,431,280
Furniture, Fixtures and Equipment	2,166,837	6,854	-	2,173,691
Other	100,000	16,240	-	116,240
Vehicles	2,949,133	249,257	-	3,198,390
Total Capital Assets Being Depreciated	<u>149,540,375</u>	<u>379,226</u>	<u>-</u>	<u>149,919,601</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(18,571,073)	(3,304,732)	-	(21,875,805)
Furniture, Fixtures and Equipment	(699,235)	(170,403)	-	(869,638)
Other	(15,000)	(11,624)	-	(26,624)
Vehicles	(1,996,668)	(385,757)	-	(2,382,425)
Total Accumulated Depreciation	<u>(21,281,976)</u>	<u>(3,872,516)</u>	<u>-</u>	<u>(25,154,492)</u>
Total Capital Assets Being Depreciated, Net	<u>128,258,399</u>	<u>(3,493,290)</u>	<u>-</u>	<u>124,765,109</u>
Governmental Activities Capital Assets, Net	<u>\$ 128,258,399</u>	<u>\$ (452,194)</u>	<u>\$ -</u>	<u>\$ 127,806,205</u>

Depreciation expense was charged to functions of the District as follows:

Administration	\$ 128,499
Instruction	3,353,548
Other School Services	1,822
Operation and Maintenance	2,624
Transportation	386,023
	<u>\$ 3,872,516</u>

C. Accounts Receivable

Current:

Revenue	\$ 346,410	
Transportation Reimbursement	25,010	
Assessments - Due from Members	672,410	
Total	<u>\$1,043,830</u>	

D. Debt

Liabilities

i. Bond Anticipation Notes

The District is authorized, through its Treasurer, to borrow on a temporary basis to fund operating costs incurred prior to receipt of revenues (RANS), capital project costs in anticipation of the issuance of bonds (BANS), or receipt of federal (FANS) and state (SANS) grants. The following is a summary of BAN transactions for the fiscal year ended June 30, 2016.

Purpose	Balance Beginning of Year	Issued	Redeemed	Balance End of Year	Interest Rate	Maturity Date
School Construction	\$ 5,252,694	\$ 3,648,307	\$ (5,252,694)	\$ 3,648,307	1.20%	4/21/2017
	<u>\$ 5,252,694</u>	<u>\$ 3,648,307</u>	<u>\$ (5,252,694)</u>	<u>\$ 3,648,307</u>		

ii Long Term Debt

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2016.

Project	Issue Date	Rate	Outstanding June 30, 2015	Issued	Redeemed	Refunded	Outstanding June 30, 2016
Sewage Disposal	7/17/2006	Various	\$ 70,000	\$ -	\$ (35,000)	\$ -	\$ 35,000
School Building	6/19/2014	Various	15,665,000	-	(320,000)	-	15,345,000
School Building	6/18/2015	Various	15,355,000	-	(340,000)	-	15,015,000
		Total Outstanding	<u>\$ 31,090,000</u>	<u>\$ -</u>	<u>\$ (695,000)</u>	<u>\$ -</u>	<u>\$ 30,395,000</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	685,000	1,179,989	1,864,989
2018	675,000	1,156,191	1,831,191
2019	700,000	1,129,191	1,829,191
2020	725,000	1,101,191	1,826,191
2021	755,000	1,068,641	1,823,641
2022-2026	4,375,000	4,761,856	9,136,856
2027-2031	5,280,000	3,859,078	9,139,078
2032-2036	6,225,000	2,912,881	9,137,881
2037-2041	7,530,000	1,616,200	9,146,200
2041-2046	3,445,000	208,000	3,653,000
	<u>\$ 30,395,000</u>	<u>\$ 18,993,218</u>	<u>\$ 49,388,218</u>

D. Debt (Continued)

(c) Bond Authorizations

There are no bond authorizations which have not been issued.

iii Changes in the government's long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Governmental Activities:					
Bonds Payable	\$ 31,090,000	\$ -	\$ (695,000)	\$ 30,395,000	\$ 685,000
Capital Lease Obligations	220,364	142,318	-	362,682	205,710
Compensated Absences	404,884	-	(131,909)	272,975	-
Net Pension Liability	5,284,506	250,032	-	5,534,538	-
Due to Other Governments	4,156,756	-	-	4,156,756	244,515
Other Post Employment Benefits	6,725,914	1,835,204	-	8,561,118	-
Total Governmental Activities	<u>\$ 47,882,424</u>	<u>\$ 2,227,554</u>	<u>\$ (826,909)</u>	<u>\$ 49,283,069</u>	<u>\$ 1,135,225</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent transfers and do not constitute revenues or expenditures of the funds. Transfers made during the year were as follows:

	Transfers In	Transfers (Out)	Total
General	\$ 289,112	\$ (39,588)	\$ 249,524
Non-Major Governmental	39,588	(289,112)	(249,524)
Total	<u>\$ 328,700</u>	<u>\$ (328,700)</u>	<u>\$ -</u>

F. Compensated Absences and Interfund Transfers and Other Items

i. Interfund Transfers

The District's financial statements reflect transactions between the various funds (if applicable). These transactions represent operating transfers and do not constitute revenues or expenditures of the funds.

ii. Compensated Absences

Vacation and sick leave are granted to employees based on contractual agreements and/or years of service.

The accumulated vacation leave benefit liability is reflected in the accompanying financial statements.

iii. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types (if applicable).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

iv. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

v. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

vi. **Other Information**

A. General Information about the Pension Plan

Plan Description

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District. This legislation established the School as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Vocational Regional School. Prior to July 1, 2014, the non-teacher employees of the Essex Agricultural and Technical High School were members of the (Essex Regional Retirement System) ERRS. The legislation required that all active and inactive members be transferred to the Salem Contributory Retirement System. Accordingly, as of June 30, 2014, all active and inactive members of ERRS have been transferred to the Salem Contributory Retirement System. The December 31, 2014 net pension liability has been updated to reflect the transition.

The District provides pension benefits to eligible employees by contributing to the Salem Contributory Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Salem Contributory Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Salem Contributory Retirement System is part of the City of Salem, Massachusetts' reporting entity and does not issue a stand-alone audited financial report. The Retirement System is reported as a fiduciary fund in the City's audited financial report. The City of Salem's report is available on the internet at: http://www.salem.com/sites/salemma/files/uploads/salem_fy2016_cafr.pdf.

Benefits Provided

The Salem Contributory Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired on or before April 1 2012</u>	
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired after April 1 2012</u>	
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Salem Contributory Retirement System contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The

District is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The District's contribution requirement is established by and may be amended by the Salem Contributory Retirement System with the approval of the Public Employee Retirement Administration Commission.

The District's contractually required contribution rate for the year ended June 30, 2016 was 27.69% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$542,623 for the year ending June 30, 2016.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$5,534,538 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the District's proportion was 4.46152%.

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$15,000 effective July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$550,751. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	374,465	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	105,676
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 374,465</u>	<u>\$ 105,676</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The District did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2017	\$ (60,026)
2018	(60,027)
2019	(60,027)
2020	(88,709)
Total	<u>\$ (268,789)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015.

Valuation date	January 1, 2014
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Increasing at 4.5% per year for 2002 and 2003 ERI and remaining unfunded liability and level dollar amortization for 2010 ERI.
Remaining Amortization Period	As of July 1, 2014, 7 years remaining on 2010 ERI, 16 years remaining on the 2002 and 2003 ERI and the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return on an actuarial basis and actual investment return on a market value basis is recognized over a five-year period.
Investment rate of return/Discount Rate	7.875%, net of pension plan investment expense, including inflation.
Inflation	4.00%
Projected Salary Increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of Living Adjustments	3.00% of first \$12,000 of retirement income
Rates of Retirement	Varies based upon age for public employees, police and fire employees, hazardous occupation employees, and officers and inspectors of the State Police.
Rates of Disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates were based on the tables noted below:	
Pre-Retirement	RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010.
Healthy Retiree	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010.
Disabled Retiree	RP-2000 Mortality Table set forward three years for males only projected generationally with Scale AA from 2010.

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table (sex distinct) projected with Scale BB and the RP-2000 Healthy Annuitant Mortality Table for healthy annuitants (sex distinct) projected with Scale BB were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	18.70%	6.49%
International Developed Markets Equity	16.90%	7.16%
International Emerging Markets Equity	6.80%	9.46%
Core Fixed Income	12.90%	1.68%
High-Yield Fixed Income	8.30%	4.76%
Real Estate	10.90%	4.37%
Commodities	3.10%	4.30%
Hedge Funds	9.00%	3.60%
Private Equity	11.40%	11.04%
Portable Alpha	0.10%	0.00%
Portfolio Completion Strategies	1.00%	0.00%
Cash	0.90%	1.11%
	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2015 (net of investment expenses) was .51%. (7.58% for December 31, 2014). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Salem Contributory Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Salem Contributory Retirement System, calculated using the discount rate of 7.75%, as well as what the Salem Contributory Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the Net Pension Liability	\$6,770,228	\$5,534,538	\$4,479,672

Pension Plan Fiduciary Net Position

The Salem Contributory Retirement System is part of the City of Salem, Massachusetts' reporting entity and does not issue a stand-alone audited financial report. Detailed information about the pension plan's fiduciary net position is available in the City of Salem, Massachusetts Comprehensive Annual Financial Report (fiduciary funds). The City of Salem's financial report that can be obtained on the internet at: http://www.salem.com/sites/salemma/files/uploads/salem_fy2016_cafr.pdf

C. Due to Other Government – Pension

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District (the District). This legislation established the District as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Vocational Regional School. Prior to July 1, 2014, the non-teacher employees of the Essex Agricultural and Technical High School were members of the Essex Regional Retirement System (ERRS). The legislation required that all active and inactive members be transferred to the Salem Contributory Retirement System (SCRS). Accordingly, as of June 30, 2014, all active and inactive members of ERRS have been transferred to the Salem Contributory Retirement System.

As noted above, as of June 30, 2014, all active and inactive members of the ERRS have been transferred to the SCRS. However, the "Retired Members" (as of June 30, 2014), from the Essex Agricultural and Technical High School remain with the ERRS. The District, as the successor agency, is required to reimburse ERRS for the actuarially determined liability associated with the retired members from Essex Agricultural and Technical High School who remain with ERRS. According, PERAC approved a funding schedule that requires the District to pay ERRS equal annual assessments of \$421,947 from 2017 through 2033. The \$4,156,756 present value of these payments has been recorded as a liability (Due to Other Government – Pension), as of June 30, 2016.

D. Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the District is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the District does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

For the fiscal year ended June 30, 2016, the District's proportionate share of the collective pension expense was \$2,604,633. The District's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2016, or fund balance/net position at June 30, 2016.

The Commonwealth's proportionate share of the collective net pension liability associated with the District is \$32,112,788.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.mass.gov/comptroller/docs/reports-audits/cafr/fy2015-cafr.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MTRS vary depending on the most recent date of membership.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (8.0% in the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct)
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return 2015</u>
Global Equity	40.00%	6.90%
Core fixed income	13.00%	2.40%
Private Equity	10.00%	8.50%
Real estate	10.00%	6.50%
Value Added Fixed Income	10.00%	5.80%
Hedge Funds	9.00%	5.80%
Portfolio Completion Strategies	4.00%	5.50%
Timber/Natural Resources	4.00%	6.60%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Since the District is not responsible for its proportionate share of the collective net pension liability, a sensitivity analysis of the discount rate is not required.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at <http://www.mass.gov/comptroller/docs/reports-audits/cafr/fy2015-cafr.pdf>

E. Other Post Employment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2016. These statements require the District to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 45, is noted below. In addition, certain Required Supplementary Information (RSI), required by GASB 45, is presented following the notes to the financial statements.

Plan Description. In addition to providing pension benefits described above, the District provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Currently there are approximately 245 active employees and 48 retired employees who are eligible to participate in the plan.

Funding Policy. Retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for either a \$2,000 or \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

Annual OPEB Cost and OPEB Obligation. The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the District, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and the District's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$2,096,133
Interest on Net OPEB Obligation	269,036
Adjustment to Annual Required Contribution	(315,413)
Annual OPEB Cost (Expense)	<u>2,049,756</u>
Contributions Made	(214,552)
Adjustment for Trust Funding	<u>-</u>
Increase in Net OPEB Obligation	1,835,204
Net OPEB Obligation (NOO)- Beginning of Year	<u>6,725,914</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$8,561,118</u></u>

The annual required contribution, the percentage of required contribution to the plan, and the net OPEB obligation for the recent years are as follows:

Fiscal Year <u>Ended June 30</u>	Annual Required <u>Contribution (ARC)</u>	Percentage of ARC <u>Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$1,970,689	7%	\$6,725,914
2016	\$2,096,133	10%	\$8,561,118

Funded Status and Funding Progress. An actuarial valuation was prepared on July 1, 2014. The Actuarial Accrued Liability (AAL) was \$13,238,136 as of July 1, 2014. The actuarial value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses).

F. Subsequent Year Authorization

The School Committee adopted a fiscal year 2017 budget totaling \$26,261,503. The accompanying financial statements do not reflect the adoption of the fiscal year 2017 budget. The budgetary amounts will be financed by the following sources:

Member Assessments	\$ 14,506,315
State and Federal Aid	4,176,682
Local Receipts	6,978,506
Excess and Deficiency	600,000
Total	<u>\$ 26,261,503</u>

G. Prior Period Adjustment

1. The prior period adjustment, of \$686,032, shown in the Fund Financial Statements, consists of a \$643,974 payment received during the prior fiscal year in error. This payment was received from the Commonwealth of Massachusetts and relates to MSBA construction revenue. There were also other adjustments made relating to prior period amounts recorded in the amount of \$42,058.

2. In addition to the above noted prior period adjustment, recorded in the fund financial statements, a prior period adjustment was also recorded in the Government Wide financial statements, in the amount of \$4,156,756. As noted in the pension footnotes earlier in these financial statements, PERAC approved a funding schedule that requires the District to pay the ERRS equal annual installments of \$421,947 from 2017 through 2033. The \$4,156,756 represents the present value of the payments which has been recorded as a liability (Due to Other Government – Pension) in the Government Wide Financial Statements.

H. Implementation of New GASB Pronouncements

During fiscal year 2016, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 72 *Fair Value Measurement and Application*. The standard created a hierarchy of the valuation methods used in determining the fair value of investments. The implementation of this pronouncement required new disclosures related to the District's investments.
- The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 81 *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* which is required to be implemented in fiscal year 2018.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statements #74 & 75 will have a significant impact on the District's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the District's Other Post-Employment Benefits.

Required Supplementary Information

Essex North Shore Agricultural and Technical School District
 Required Supplementary Information
 General Fund
 Statement of Revenues and Expenditures - Budget and Actual
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Budget Basis Amounts	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Assessments to Members	\$ 13,937,890	\$ 13,937,890	\$ 13,930,011	\$ (7,879)
Intergovernmental				
State Aid - Education	3,080,269	3,080,269	3,080,269	-
State Aid - Transportation	658,560	658,560	860,711	202,151
Other Transportation Revenue	1,099,193	1,099,193	593,328	(505,865)
Charges for Services	5,783,480	5,783,480	5,762,178	(21,302)
Investment Income	60,000	60,000	78,820	18,820
Miscellaneous	-	-	16,466	16,466
Total Revenues	<u>24,619,392</u>	<u>24,619,392</u>	<u>24,321,783</u>	<u>(297,609)</u>
<u>Expenditures</u>				
Administration	1,422,650	1,422,650	1,465,865	(43,215)
Instruction	12,421,302	12,421,302	12,012,329	408,973
Other School Services	1,170,650	1,170,650	1,036,483	134,167
Operation and Maintenance	2,886,598	2,886,598	2,313,313	573,285
Employee Benefits and Fixed Charges	3,551,685	3,551,685	3,686,272	(134,587)
Transportation	1,744,624	1,744,624	1,426,270	318,354
Debt Service	1,934,148	1,934,148	1,933,826	322
Capital Outlay	287,735	287,735	301,389	(13,654)
Total Expenditures	<u>25,419,392</u>	<u>25,419,392</u>	<u>24,175,747</u>	<u>1,243,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(800,000)</u>	<u>(800,000)</u>	<u>146,036</u>	<u>946,036</u>
<u>Other Financing Sources (Uses):</u>				
Other Available Funds	800,000	800,000	800,000	-
Operating Transfers Out	-	-	(39,588)	(39,588)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>800,000</u>	<u>760,412</u>	<u>(39,588)</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,448</u>	<u>\$ 906,448</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Essex North Shore Agricultural and Technical School District's Proportionate Share of the Collective Net Pension Liability
Salem Contributory Retirement System
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportionate share of the net pension liability (asset) (%)	4.450000%	4.583630%	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>							
District's proportionate share of the net pension liability (asset) (\$)	-	-								
District's covered-employee payroll	1,959,630	3,472,835								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%								
Plan fiduciary net position as a percentage of the pension liability	52.77%	54.06%								

** The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Essex North Shore Agricultural
and Technical School District's Contributions
Salem Contributory Retirement System

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 542,623	\$ 336,942
Contributions in relation to the contractually required contribution	<u>(542,623)</u>	<u>(336,942)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	1,959,630	3,472,835
Contributions as a percentage of covered-employee payroll	27.69%	9.70%

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of Essex North Shore Agricultural and Technical School District's Proportionate Share of the Collective Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportionate share of the collective net pension										
liability (asset) (%)	0.00%	0.00%	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>							
District's proportionate share of the collective net pension liability (asset) (\$)	\$ -	\$ -								
State's proportionate share of the collective net pension liability (asset) associated with District (\$)	<u>\$ 32,112,788</u>	<u>\$ 26,357,362</u>								
Total	<u>\$ 32,112,788</u>	<u>\$ 26,357,362</u>								
District's covered-employee payroll	<u>\$ 9,926,913</u>	<u>\$ 10,166,508</u>								
District's proportionate share of the collective net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%								
Plan fiduciary net position as a percentage of the pension liability	0.00%	0.00%								
District's expense and revenue recognized for Commonwealth support	<u>\$ 2,604,633</u>	<u>\$ 1,831,173</u>								

See Notes to the Required Supplementary Information

Essex North Shore Agricultural and Technical School District
 Required Supplementary Information
 Schedule of Funding Progress and Employer's Contributions - Other Post Employment Benefits
 Fiscal Year Ended June 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
7/1/2014	\$0	\$13,238,136	\$13,238,136	0%	N/A	N/A

Schedule of Employer's Contributions

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$1,970,689	7%	\$6,725,914
2016	\$2,096,133	10%	\$8,561,118

See Notes to the Required Supplementary Information

Essex North Shore Agricultural and Technical School District
 Required Supplementary Information
 Valuation Details - Other Post Employment Benefits
 Fiscal Year Ended June 30, 2016

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Amounts; Over 30 Years
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.0.% Per Annum
Medical/Drug Cost Trend Rate	7.5% 2015, decreases by 0.5% per year to 5.0%

Plan Membership:

Current retirees, beneficiaries, and dependents	48
Current active members	<u>245</u>
Total	<u>293</u>

See the Notes to the Required Supplementary Information

Essex North Shore Agricultural and Technical School District
Notes to the Required Supplementary Information
June 30, 2016

(A) Budgetary Information

i. General Budget Policies

The District's original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a "bottom line" budget. The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2016:

	<u>Revenues</u>
As Reported Budget Basis	\$ 24,321,783
Adjustments:	
MTRS - Pension Payments	2,604,633
As Reported GAAP Statement	<u>\$ 26,926,416</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 24,175,747
Adjustments:	
July 1, 2015 Encumbrances	1,150,479
June 30, 2016 Encumbrances	(274,996)
Prepaid Expense Audit Adjustment	(975,980)
Stabilization Fund Expenditures	116,675
MTRS - Pension Payments	2,604,633
As Reported GAAP Statement	<u>\$ 26,796,558</u>

(B) Pension Plans

i. Plan Description

The District provides pension benefits to eligible employees by contributing to the Salem Contributory Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Salem Contributory Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The District is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Salem Contributory Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee

Retirement Administration Commission. That report may be obtained by writing to the City of Salem Contributory Retirement System, 20 Central Street, Suite 110, Salem, Massachusetts 01970.

The District, also, provides benefits to teachers through the Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67. The Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contributions. Therefore, the District has a special funding situation.

b. Funding Plan

Active members of the Salem Contributory Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The District is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The District's contribution requirement is established and may be amended by the Salem Contributory Retirement System with the approval of the Public Employee Retirement Administration Commission.

c. Changes in Benefit Terms

Chapter 176 of the Acts of 2011 was incorporated in the valuation. The benefit features (i.e. retirement age, percentages used in calculation of pensions) changed for members hired on or after April 2, 2012.

d. Change in Assumptions

Mortality:

The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. (Prior valuation used RP-2000 mortality table projected 18 years with scale AA.). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.

Disabled Life Mortality:

The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time. (Prior valuation used P-2000 mortality table projected 18 years with scale AA).

Discount Rate:

The discount rate was lowered from 8.25% to 8.0%.

Salary Increases

The salary increase assumption was changed from a flat 5% to a 7.5% increase declining to an ultimate rate of 3.75% in year five.

Administrative Expense

The administrative expense assumption was changed from \$\$945,000 to \$1,110,000.

e. Schedule of District's Proportionate Share of the Net Pension Liability – Salem Contributory Retirement System

The schedule details the District's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share of the collective net pension liability as

a percentage of the District's covered-employee payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

f. Schedule of the District's Contributions

The schedule details the District's contractually required contributions, the contributions made by the District, the deficiency/(excess) of contributions made by the District, the District's covered-employee payroll and the District's contributions as a percentage of covered-employee payroll. As more information becomes available, this will be a ten year schedule.

g. Schedule of District's Proportionate Share of the Net Pension Liability - Massachusetts Teachers' Retirement System

Since the Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contribution, the District has a special funding situation. Therefore, the District does not recognize a net pension liability. This schedule provides information about the state's proportionate share of the collective net pension liability associated with the District and the plans fiduciary net position as a percentage of the total pension liability. It, also, details the District's revenue and expense recognized from the Commonwealth's support. As more information becomes available, this will be a ten year schedule.

(C) Other Postemployment Benefits (OPEB) Disclosures

Plan Description. The District provides for retired employees and their spouses and dependents by paying for a portion of their health care and life insurance benefits. Currently there are approximately 245 active employees and 48 retired employees who are eligible to participate in the plan.

Funding Policy. In general the retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for either a \$2,000 or \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

Essex North Shore Agricultural and Technical School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grantor Program Title</u>	<u>Pass Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>		
			<u>From Direct Awards</u>	<u>From Indirect Awards</u>	<u>Total</u>
<u>U.S. Department of Agriculture</u>					
Breakfast	MA DESE	10.553	\$ -	\$ 17,216	\$ 17,216
School Lunch Commodities	MA DESE	10.555	-	1,569	1,569
School Lunch	MA DESE	10.555	-	135,937	135,937
Subtotal Child Nutrition Cluster			-	154,722	154,722
Total Department of Agriculture			-	154,722	154,722
<u>U.S. Department of Education</u>					
Title I	MA DESE	84.010	-	131,036	131,036
SPED 94-142	MA DESE	84.027	-	310,177	310,177
SPED Program Improvement	MA DESE	84.027	-	6,750	6,750
Subtotal Sped Cluster			-	316,927	316,927
Career and Technical Educations	MA DESE	84.048	-	264,994	264,994
Teacher Quality	MA DESE	84.367	-	26,420	26,420
Total U.S. Department of Education			-	739,377	739,377
Total Schedule of Expenditures of Federal Awards			\$ -	\$ 894,099	\$ 894,099

See Notes to the Schedule of Expenditures of Federal Awards

Essex North Shore Agricultural and Technical School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Essex North Shore Agricultural and Technical School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Essex North Shore Agricultural and Technical School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Essex North Shore Agricultural and Technical School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rates

The Essex North Shore Agricultural and Technical School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Essex North Shore Agricultural and Technical School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Essex North Shore Agricultural and Technical School District's basic financial statements, and have issued our report thereon dated March 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Essex North Shore Agricultural and Technical School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Essex North Shore Agricultural and Technical School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 17, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Report on Compliance for Each Major Federal Program

We have audited the Essex North Shore Agricultural and Technical School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Essex North Shore Agricultural and Technical School District's major federal programs for the year ended June 30, 2016. The Essex North Shore Agricultural and Technical School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Essex North Shore Agricultural and Technical School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Essex North Shore Agricultural and Technical School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Essex North Shore Agricultural and Technical School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Essex North Shore Agricultural and Technical School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Essex North Shore Agricultural and Technical School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the

Essex North Shore Agricultural and Technical School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 17, 2017

Essex North Shore Agricultural and Technical School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016

Section I Summary of Auditor's Results
--

Financial Statements

Type of report the auditor issued: Unmodified report on financial statements prepared in accordance with Generally Accepted Accounting Principles

Internal control over financial reporting:

- . Material weakness(es) identified? _____ yes X no
- . Significant Deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- . Material weakness(es) identified? _____ yes X no
- . Significant Deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ yes X no

Identification of major federal programs:

The major programs identified were:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	Special Education Cluster	84.027
U.S. Department of Education	Career and Technical Education	84.048

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: _____ yes X no

Section II Findings - Financial Statement Audit

No findings were reported related to the financial statements.

Section III Findings and Questioned Costs for Federal Awards
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No findings or questioned costs were reported related to Federal Awards

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
BALANCE SHEET
AS OF JANUARY 31, 2017

6

DESCRIPTION	CURRENT YEAR	LAST YEAR

A S S E T S:		
PETTY CASH	527.55	527.55
CASH	10653141.28	11999923.75
DUE FROM CITIES AND TOWNS	3626578.75	3487576.75
DUE FROM 2017/2015 GRANTS	458.39	.00
DUE FROM 2016 GRANTS	2535.56	14263.42
ACCOUNTS RECEIVABLE	1.41	1.41
ANTICIPATED RECEIPTS	6434207.44	6956727.37
	-----	-----
TOTAL ASSETS	20717450.38	22459020.25
	=====	=====
L I A B I L I T I E S:		
ACCOUNTS PAYABLE	1278.01	5390.89
UMCLAIMED ITEMS	35562.20	35562.20
PAYROLL DEDUCTIONS PAYABLE	189172.77	209188.06
LIBRARY HOLDING ACCOUNT	8235.74	8235.74
ACCRUED PAYROLL PAYABLE	4903.18	.00
DUE TO COMM OF MASS-SALES TAX	9667.01	416.74
DUE TO REVOLVING FUNDS	1107236.02	1256628.61
DUE TO 2017/2015 GRANTS	61862.52	11248.39
DUE TO 2016 GRANTS	13624.94	8158.49
DUE TO CAPITAL PROJECTS	1201910.01	2406986.25
	-----	-----
TOTAL LIABILITIES	2633452.40	3941815.37
	-----	-----
F U N D E Q U I T Y:		
REVENUE APPROPRIATION BUDGET	14892945.51	14925037.99
RESERVED FOR PETTY CASH	527.55	527.55
RESERVED FOR ENCUMBRANCES	274996.85	1150479.37
RESERVED FOR COMPENSATED ABS	367783.16	367783.16
UNRESERVED FUND BALANCE	1462478.66	1279692.78
RESERVED FOR STABILIZATION	196153.92	303028.92
RESERVED FOR SUB YR EXPEND	889112.33	800000.00
	-----	-----
TOTAL FUND EQUITY	18083997.98	18826549.77
	-----	-----
TOTAL LIABILITIES AND FUND EQUITY	20717450.38	22768365.14
	=====	=====

UNAUDITED

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
 BALANCE SHEET
 LONG TERM DEBT ACCOUNT GROUP
 AS OF JANUARY 31, 2017

DESCRIPTION	CURRENT YEAR	LAST YEAR

A S S E T S:		
AMT TO BE PROVIDED PMT OF BOND	30360000.00	31020000.00
AMT PROV PMT OF BOND-DISP SYS	.00	35000.00
	-----	-----
 TOTAL ASSETS	 30360000.00	 31055000.00
	=====	=====
L I A B I L I T I E S:		
GEN OBLIGATION BOND PAYABLE	30360000.00	31055000.00
	-----	-----
 TOTAL LIABILITIES	 30360000.00	 31055000.00
	-----	-----
F U N D E Q U I T Y:		
	-----	-----
 TOTAL FUND EQUITY	 .00	 .00
	-----	-----
 TOTAL LIABILITIES AND FUND EQUITY	 30360000.00	 31055000.00
	=====	=====

UNAUDITED

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
 BALANCE SHEET
 FIXED ASSETS ACCOUNT GROUP
 AS OF JANUARY 31, 2017

DESCRIPTION	CURRENT YEAR	LAST YEAR
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 A S S E T S:

FIXED ASSETS	149812725.94	135306313.16
ACCUMULATED DEPRECIATION	(25153156.16)	(14004625.74)

TOTAL ASSETS	124659569.78	121301687.42
--------------	--------------	--------------

L I A B I L I T I E S:

TOTAL LIABILITIES	.00	.00
-------------------	-----	-----

F U N D E Q U I T Y:

INVESTED IN FIXED ASSETS	124659569.78	121301687.42
--------------------------	--------------	--------------

TOTAL FUND EQUITY	124659569.78	121301687.42
-------------------	--------------	--------------

TOTAL LIABILITIES

AND FUND EQUITY	124659569.78	121301687.42
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UNAUDITED

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
STATEMENT OF REVENUES AND
EXPENDITURES - BUDGET VS. ACTUAL
PERIOD ENDED JANUARY 31, 2017

G/L NUMBER	DESCRIPTION	CURRENT PERIOD	YEAR TO DATE	BUDGET	BALANCE	PERCENT

TOTAL GROSS BUDGET						
R E V E N U E S:						
	FOUNDATION BUDGET	2026013.85	14237334.66	22421585.99	8184251.33-	63.50
	TRANSPORTATION	515309.00	824711.50	1746518.00	921806.50-	47.22
	DEBT SERVICE	220146.50	1151877.00	1864990.00	713113.00-	61.76
	CAPITAL IMPROVEMENTS	50033.50	261790.50	503405.86	241615.36-	52.00
	TOTAL ALL REVENUES	----- 2811502.85	----- 16475713.66	----- 26536499.85	----- 10060786.19-	----- 62.09
E X P E N D I T U R E S:						
	FOUNDATION BUDGET	1508186.40	9864815.12	22421585.99	12556770.87	44.00
	TRANSPORTATION	136133.88	704070.43	1746518.00	1042447.57	40.31
	DEBT SERVICE	.00	625493.13	1864990.00	1239496.87	33.54
	CAPITAL IMPROVEMENTS	31823.36	449175.66	503405.86	54230.20	89.23
	TOTAL ALL EXPENDITURES	----- 1676143.64	----- 11643554.34	----- 26536499.85	----- 14892945.51	----- 43.88
	LESS: PURCHASE DISCOUNTS	.00	.00	.00	.00	.00
	NET ALL EXPENDITURES	----- 1676143.64	----- 11643554.34	----- 26536499.85	----- 14892945.51	----- 43.88
	EXCESS OF REVENUES UNDER EXPENDITURES	----- 1135359.21	----- 4832159.32	----- .00	----- 4832159.32	----- .00
		=====	=====	=====	=====	=====

UNAUDITED

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
STATEMENT OF REVENUES AND
EXPENDITURES - BUDGET VS. ACTUAL
PERIOD ENDED JANUARY 31, 2017

G/L NUMBER	DESCRIPTION	CURRENT PERIOD	YEAR TO DATE	BUDGET	BALANCE	PERCENT

FOUNDATION BUDGET						
R E V E N U E S:						
ASSESSMENTS TO MEMBER CITIES						
	AND TOWNS	1946831.00	9436863.75	12582485.00	3145621.25-	75.00
	CHAPTER 70 AID	.00	1979187.63	3340264.00	1361076.37-	59.25
	MISCELLANEOUS	71377.11	2794507.27	5443480.00	2648972.73-	51.34
	INTEREST	7805.74	26776.01	60000.00	33223.99-	44.63
	OFS/TRANSFER IN	.00	.00	995356.99	995356.99-	.00
	TOTAL REVENUES	2026013.85	14237334.66	22421585.99	8184251.33-	63.50

E X P E N D I T U R E S:						
	SCHOOL COMMITTEE SERVICES	2061.86	12881.56	48589.00	35707.44	26.51
	OFFICE OF SUPERINTENDENT	22746.70	194748.91	338895.75	144146.84	57.47
	FINANCE & ADMIN. SERVICES	39816.52	329895.04	531553.67	201658.63	62.06
	DISTRICT WIDE INFO. TECHNOLOGY	108680.31	302330.33	506536.76	204206.43	59.69
	DISTRICT WIDE ACADEMIC LEADER.	53068.07	301385.34	607114.60	305729.26	49.64
	DISTRICT WIDE SCHOOL BLDG LEAD.	108462.99	739898.70	1409610.00	669711.30	52.49
	BUILDING TECHNOLOGY	.00	24864.00	30650.00	5786.00	81.12
	INSTRUCTION - TEACHING SERVICE	712391.05	3893452.07	8674503.00	4781050.93	44.88
	PROFESSIONAL DEVELOPMENT	12817.38	83895.46	218026.29	134130.83	38.48
	INSTRUCTIONAL MAT. & EQUIP.	44039.23	421714.09	944140.71	522426.62	44.67
	INSTRUCTIONAL TECHNOLOGY	5902.05-	30726.14	215654.81	184928.67	14.25
	GUIDANCE, COUNSELING AND TEST	68051.21	394503.43	857551.00	463047.57	46.00
	PSYCHOLOGICAL SERVICES	6667.30	41215.92	96281.00	55065.08	42.81
	ATTENDANCE SERVICES	.00	.00	5000.00	5000.00	.00
	HEALTH SERVICES	11719.00	76799.99	169225.00	92425.01	45.38
	FOOD SERVICE	9792.00	65630.64	132486.00	66855.36	49.54
	ATHLETIC SERVICES	23316.45	222896.08	585337.00	362440.92	38.08
	OTHER STUDENT BODY ACTIVITIES	11990.26	107146.11	326644.50	219498.39	32.80
	OPERATION AND MAINT. OF PLANT	79733.54	393477.33	824235.40	430758.07	47.74
	HEAT	44407.16	100770.87	297630.00	196859.13	33.86
	UTILITIES	61397.58	346079.76	753608.00	407528.24	45.92
	MAINT OF GROUNDS/FARM	44858.22	314672.11	550452.38	235780.27	57.17
	BUILDING MAINTENANCE	27632.63	130401.55	258745.40	128343.85	50.40
	EXTRAORDINARY MAINT	.00	.00	206809.00	206809.00	.00
	EMP BENEFITS & FIXED CHARGES	20438.99	1335429.69	3832306.72	2496877.03	34.85
	TOTAL EXPENDITURES	1508186.40	9864815.12	22421585.99	12556770.87	44.00
LESS:	PURCHASE DISCOUNTS	.00	.00	.00	.00	.00
	NET EXPENDITURES	1508186.40	9864815.12	22421585.99	12556770.87	44.00

EXCESS OF REVENUES OVER						

UNAUDITED

ESSEX NORTH SHORE AGRICULTURAL & TECH SCH DIST
 STATEMENT OF REVENUES AND
 EXPENDITURES - BUDGET VS. ACTUAL
 PERIOD ENDED JANUARY 31, 2017

G/L NUMBER	DESCRIPTION	CURRENT PERIOD	YEAR TO DATE	BUDGET	BALANCE	PERCENT
<hr style="border-top: 1px dashed black;"/>						
	(UNDER) (-) EXPENDITURES	517827.45	4372519.54	.00	4372519.54	.00

UNAUDITED

Essex North Shore Agricultural & Technical School District
 Revolving Fund Balance Sheet
 As of January 31, 2017

ASSETS

Due From General Fund	\$1,549,889.28
Accounts Receivable	0.00
Inventory	<u>6,075.00</u>
 Total Assets	 <u><u>\$1,555,964.28</u></u>

LIABILITIES

Due To General Fund	\$442,653.26
Security Deposit	<u>\$14,048.00</u>
 Total Liabilities	 <u>456,701.26</u>

FUND EQUITY

		Reserved for Encumbrances <u>01/31/17</u>	Balance Available <u>01/31/17</u>
Fund Balance - Night School	\$52,950.66	0.00	52,950.66
Fund Balance - Culinary Art	104,188.33	0.00	104,188.33
Fund Balance - Career Areas	237,234.65	100,164.89	137,069.76
Fund Balance - Rental Fund	206,833.39	50,000.00	156,833.39
Fund Balance - School Lunch	92,029.00	0.00	92,029.00
Fund Balance - Insurance Claims	39,110.64	0.00	39,110.64
Fund Balance - Awards and Scholarships	87,259.12	0.00	87,259.12
Fund Balance - Tuition	238,106.30	118,363.66	119,742.64
Fund Balance - School Choice	1,835.49	469.09	1,366.40
Fund Balance - Regional Trans Reimb Fund	0.00	0.00	0.00
Fund Balance - Athletics	<u>39,715.44</u>	<u>25,000.00</u>	<u>14,715.44</u>
 Total Fund Equity	 <u>1,099,263.02</u>	 <u>293,997.64</u>	 <u>805,265.38</u>
 Total Liabilities and Fund Equity	 <u><u>\$1,555,964.28</u></u>		

Essex North Shore Agricultural and Technical School District
 Revolving Fund Revenues and Expenditures
 Period Ended January 31, 2017

					YTD
					Excess
					Revenues
<u>Description</u>	<u>Current Revenues</u>	<u>YTD Revenues</u>	<u>Current Expenditures</u>	<u>YTD Expenditures</u>	<u>Over(Under) Expenditures</u>
Night School	18,280.88	50,590.88	12,713.92	25,469.42	25,121.46
Culinary Art	19,758.65	117,401.53	27,707.86	91,141.31	26,260.22
Career Areas	12,143.77	63,913.77	12,355.23	56,149.75	7,764.02
Rental fund	15,743.50	129,550.02	1,133.22	51,619.91	77,930.11
School Lunch	56,723.98	290,152.59	38,711.82	216,376.61	73,775.98
Insurance Claims	0.00	0.00	0.00	429.96	(429.96)
Awards and Scholarships	171.56	23,171.56	0.00	0.00	23,171.56
Tuition	0.00	0.00	0.00	0.00	0.00
School Choice	0.00	2,083.00	0.00	1,466.30	616.70
Regional Trans Reimb Fund	0.00	0.00	0.00	0.00	0.00
Athletics	0.00	7,443.00	0.00	0.00	7,443.00
Total Revolving Funds	122,822.34	684,306.35	92,622.05	442,653.26	241,653.09

Essex North Shore Agricultural Technical School District
Grant Revenue and Expenditure Report
Period Ended January 31, 2017

								YTD
								Excess
								Revenues
								Over(Under)
								Expenditures
Grant #	Description	Project Code	Grant Amount	Current Revenues	YTD (Cumulative) Revenues	Current Expenditures	YTD (Cumulative) Expenditures	
<u>FY 2016 Grants</u>								
2016 - 5	94-142	240	296,453.00	0.00	296,453.00	0.00	296,409.00	44.00
2016 - 6	STEM Solar lab	n/a	10,500.00	0.00	10,500.00	0.00	5,600.00	4,900.00
2016 - 7	Title I	305	136,942.00	0.00	130,803.00	0.00	129,889.16	913.84
2016 - 17	Skills Capital Grant	n/a	138,325.66	0.00	138,325.66	0.00	133,623.23	4,702.43
2016 - 19	MALSCE	n/a	2,000.00	0.00	2,000.00	0.00	1,781.73	218.27
2016 - 20	Natural Disaster and Emergency	n/a	2,000.00	0.00	2,000.00	0.00	1,944.23	55.77
2016 - 21	Food For All	n/a	2,500.00	0.00	2,500.00	0.00	2,244.93	255.07
			588,720.66	0.00	582,581.66	0.00	571,492.28	11,089.38
<u>FY 2017 Grants</u>								
2017 - 1	Entitlement 94-142	240	321,453.00	124,296.00	209,447.00	32,241.30	160,379.30	49,067.70
2017 - 4	Title I	305	144,745.00	24,995.00	58,650.00	9,270.90	48,307.50	10,342.50
2017 - 6	Title IIA	140	25,700.00	1,538.00	16,252.00	0.00	15,399.00	853.00
2017 - 7	Perkins	400	296,090.00	61,105.00	128,874.00	28,323.77	129,332.39	(458.39)
2017 - 9	Special Educ. Program Improve.	274	6,858.00	0.00	0.00	0.00	0.00	0.00
2017 - 11	Fuel up to 60/SL	n/a	5,000.00	0.00	5,000.00	0.00	5,000.00	0.00
2017 - 15	Title I FY 15 Carry Over	305	231.00	0.00	231.00	0.00	211.68	19.32
2017 - 17	NSWiB - Youth to Work	n/a	8,116.00	0.00	6,726.13	0.00	5,146.13	1,580.00
Total Activity			808,193.00	211,934.00	425,180.13	69,835.97	363,776.00	61,404.13



Candace Levesque <clevesque@essextech.net>

Donation for Bio Tech

1 message

Kathleen Holman <kholman@essextech.net>

Fri,

To: MaryAnne Silva <msilva@essextech.net>, Candace Levesque <clevesque@essextech.net>

Atlantic Lab Equipment Inc. donated the following equipment to the Biotechnology program. Total Donation \$3753

	Prcie / unit	Unit	# units	Total Price
PCR caps 3743 corning - 6 bags	61	bag	6	366
Safety glasses 6	12	per glasses	6	72
Seals for PCR microplates	146	100 sheets	2	292
Biorad Transblot filter paper 2 packs	57	pkg. 60	2	114
96 well microplate round bottoms	120	pg 50	1	120
Combitips 2 boxes 25/box	70	pg. of 25	2	140
2 DYNA chill coolers	82.24	cooler	2	164.48
Adhesive foil w raps for microplates	146	100 sheets	1	146
Assay blocks	184		1	184
Reservoirs 1 box	12	box	1	12
1 box 25mL syringes	40	box	1	40
1 hotplate/stir plate (Used price reflects new)	516	plate	1	516
1 peristaltic pump (Used price reflects new)	390	pump	1	390
Axygen 5 boxes of pipet tips (200 µL)	383.92	Case/5pg	1	383.92
Liquid nitrogen dew ar (Used price reflects new)	475	dewar	1	475
2 lamps ((Used price reflects new) Flexible arm	84	per lamp	2	168
Autoclave pouches	170	pkg. 100	1	170
				3753.4

Contact Information:

Phil Jackson
 Chief Procurement Officer
 Atlantic Lab Equipment Inc.

www.atlanticlabequipment.com
 Tel: 978-740-2400 Toll Free: 866-484-6031

Kathleen

Kathleen M. Holman RN, MSN
 CTE Coordinator
 Life and Natural Science & Construction Academies
 Essex Technical High School
 kholman@essextech.net Office: 978-304-4700 x 4107
 www.essextech.net Fax: 978-304-4667

When writing or responding, please remember that the Secretary of State's Office has determined that email is a public record

**ESSEX TECHNICAL HIGH SCHOOL
565 Maple Street Hathorne, MA 01937**

CONSTRUCTION PROJECT PROPOSAL FORM

~~Arbor - Carpentry - Electrical - HVAC - Landscaping - Masonry - Plumbing~~

Project must be located within the district municipalities of Beverly, Boxford, Danvers, Essex, Gloucester, Hamilton, Lynnfield, Manchester-by-the-Sea, Marblehead, Middleton, Nahant, Peabody, Rockport, Salem, Swampscott, Topsfield, or Wenham.

Municipality or non-profit organization: <i>Town of Danvers - Public Works</i>	Date of proposal: <i>1/30/17</i>
Municipal department and/or location of project: <i>Danvers High School - Athletic Complex 60 Cabot Road, Danvers</i>	Person with authority to approve/fund project: <i>Steve Barba, Town Manager</i>

Brief description of work to be performed by students:
Construction of Entryway to DHS Athletic Complex, specifically construction of Masonry columns, Electrical conduit, and Masonry ticket Booths. Site to be prepped & secured by Town of Danvers DPW, Masonry Columns to be constructed on Footings provided by the Town. Full plans & specifications for the project provided to Essex Tech.

Estimate Materials \$5000
Estimated supplies and labor \$17,000 May include Electrical

Please attach additional information, sketches, drawings, etc. in support of the proposal.

Person to contact to view site and discuss project: <i>Mike Nelson, PE - Director of Operations</i>	Phone number(s): <i>978-265-9527</i>
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Proposals will be evaluated based on the following criteria: 1. Educational Value - Alignment with state technical learning standards - Varied and progressive work, not repetitive 2. Scope of Work - Enough work to engage the entire class per trade - At least one week in duration preferred - No longer than a school year to complete preferred 3. Hazardous Materials: no exposure to lead paint, asbestos, etc.	Please forward to: Dr. Bill Lupini Superintendent Director Essex Technical H.S. 565 Maple Street Hathorne, MA 01937 or email to: blupini@essextech.net
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If proposal is accepted, the following will be the responsibility of the municipality or non-profit organization:

- Any and all blueprints and permits necessary to perform work
- Appropriate insurance to cover the site; students are covered under the school's policy
- All supplies and materials necessary to perform the work
- Sub-contractors to do any phase of construction that the school is not providing
- Easy access to restrooms or portable bathrooms at work site, electricity, and water

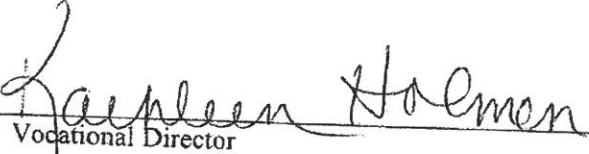


AGREEMENT GOVERNING OUTSIDE BUILDING PROJECTS

- All requests for off-campus work projects must be submitted to the Superintendent-Director in writing. They will be reviewed according to the School Committee Policy on Building Projects, File: IHAQ.
- Written specifications shall be developed for each approved project by the Requesting Agency. The Requesting Agency must sign the specifications, including approval of same.
- Any limiting conditions, such as time, unusual working conditions, or prohibited materials, must be clearly stated by the Requesting Agency. The School District may, if it judges that such conditions detract from the educational value of the project, deny the request.
- The Requesting Agency shall comply with all local building codes, applicable ordinances, and health regulations, and shall be responsible to secure same. Copies of such permits must be submitted to Essex North Shore Ag-Tech School District prior to the execution of the agreement.
- The Requesting Agency shall secure and maintain during the entire project suitable construction insurance, including fire, theft, extended coverage, property damage and liability according to requirements and in the amounts specified by the District School Committee. A copy of all insurance coverage must be on file with the Superintendent-Director prior to the start of the project.
- All materials used in the project shall be specified by, and shall meet the approval of, the departments engaged in the project.
- The Requesting Agency shall have all necessary sub-contracting work, if any, done in such a manner so as not to impede the progress of the project and said sub-contracting work shall meet the approval of the departments engaged in the project.
- An authorized representative of the Requesting Agency shall agree to be available from time to time for consultation on the work site at an hour specified by the departments engaged in the project and/or the District School Committee, as required.
- The Requesting Agency shall agree to allow all publicity regarding the project as authorized by the District School Committee or its authorized agents.
- The Requesting Agency shall agree to provide water, power, toilet facilities, and fuel for temporary heat as deemed necessary by the instructors supervising the project.
- A thirty-percent (30%) service charge based on an estimate of all material and supply costs used by Essex North Shore Ag-Tech High School shall be payable in advance. The Requesting Agency shall submit to the Office of the Superintendent-Director (via the Vocational Director) a copy of all invoices incurred by the Agency for materials or supplies based on the actual material and supply costs.
- Essex North Shore Ag-Tech will make every effort to schedule projects in such a manner that they may be completed prior to the end of the school year. However, the extent of the District School Committee's work obligation is the final day of work done by Essex North Shore Ag-Tech High School students, usually in the month of June. Essex North Shore will only assume responsibility after this day for the structural integrity of the project. The District School Committee will not be responsible for any unfinished work or any spoilage, damage, loss, deterioration, or nuisance stemming from unfinished work or work done by other than Essex North Shore Ag-Tech High School students.
- Failure of the Requesting Agency to comply with any of the foregoing regulations shall disqualify the Agency immediately.

The District Committee reserves the right to change any or all of the foregoing regulations prior to approving an outside building project, and/or to waive any or all regulations as it deems to be within the best interests of the District.

By:  Dated: 1/31/17
Requesting Agency

By:  Dated: 2-2-17
Vocational Director

By: _____ Dated: _____
Superintendent-Director